

**HERON LAKE BIOENERGY, LLC**  
**CHARTER OF THE AUDIT COMMITTEE**  
**OF THE BOARD OF GOVERNORS**

I. Audit Committee Purpose

The Audit Committee is appointed by the Board of Governors to assist the Board in fulfilling its oversight responsibilities. The Audit Committee's primary duties and responsibilities are to:

- Monitor the integrity of the Company's financial reporting process and systems of internal controls regarding finance, accounting, and legal compliance.
- Monitor the independence and performance of the Company's independent auditors.
- Provide an avenue of communication among the independent auditors, management, and the Board of Governors.

The Audit Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, and it has direct access to the independent auditors as well as anyone employed by or a consultant to or otherwise serving the Company. The Audit Committee has the ability to retain, at the Company's expense, special legal, accounting, or other consultants or experts it deems necessary in the performance of its duties.

II. Audit Committee Composition and Meetings

The Audit Committee shall be comprised of three (3) or more governors as determined by the Board, a majority of whom shall be independent and all of whom shall be a non-executive governor, free from any relationship that would interfere with the exercise of his or her independent judgment. The composition and function of the Audit Committee will meet the applicable rules and regulations of the Securities and Exchange Commission (the "Commission") and, unless otherwise set forth in this Charter, the listing standards of The Nasdaq Stock Market (the "Market"). To be considered independent, the members of the Audit Committee must be "independent" as defined by the applicable rules and regulations of the Commission and the Nasdaq Stock Market (the "Market"). All members of the Committee shall have a basic understanding of finance and accounting and be able to read and understand fundamental financial statements, and at least one member of the Committee shall have accounting or related financial management expertise.

Audit Committee members shall be appointed by the Board of Governors. If an Audit Committee Chair is not designated or present, the members of the Committee may designate a Chair by majority vote of the Committee membership.

The Committee shall meet quarterly, or more frequently as circumstances dictate. The Audit Committee Chair shall prepare and/or approve an agenda in advance of each

meeting. The Committee shall meet privately in executive session with management, the independent auditors, and as a committee to discuss any matters that the Committee or each of these groups believe should be discussed.

### III. Audit Committee Responsibilities and Duties; Review Procedures

1. In consultation with management and the independent auditors, consider the integrity of the Company's financial reporting processes and controls and receive reports from management regarding the Company's system of internal controls and disclosure controls and procedures.
2. Discuss with management and the independent auditors any issues regarding significant risks or exposures and assess the steps management has taken to minimize such risk.
3. Consult with management and the independent auditors on new developments in accounting and financial standards.
4. Review with management and the independent auditors, based on reports required from the independent auditors: (1) all critical accounting policies and practices to be used; (2) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, (3) ramifications of the use of such alternative disclosures and treatments; and (4) other material written communications between the independent auditors and management. Review any reports on such topics or similar topics prepared by management, including any significant financial reporting or accounting estimates and judgments made in connection with the preparation of financial statements.
5. Review quarterly and annual financial results with the independent auditors and management and discuss the earnings press release prior to release to the public.
6. Recommend to the Company's Board of Governors the inclusion of the audited financial statements in the Company's annual report. Review and comment on the Company's annual report to members, annual report on Form 10-K, and quarterly reports on Form 10-Q.

### IV. Independent Auditors

7. The independent auditors are ultimately accountable to the Audit Committee. On an annual basis, the Committee should review and discuss with the auditors all significant relationships the auditors have with the Company to determine the auditors' independence and review the auditors' written communications required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees.
8. Review and approve all auditing services and permitted non-audit services provided by the independent auditors, and the fees and other significant compensation to be paid to the independent auditors.

9. Provide oversight of the independent auditors and have sole authority and responsibility for the selection, engagement, compensation and removal of the independent auditors.
10. Review the independent auditors' audit plan – discuss scope, staffing, locations, reliance upon management and internal audit and general audit approach.
11. Prior to releasing the year-end earnings, discuss the results of the audit with the independent auditors and any significant changes to the Company's accounting principles. Discuss certain matters required to be communicated to audit committees in accordance with AICPA SAS 61.
12. Consider the independent auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting.
13. Receive reports directly from independent auditors and resolve any disagreements between management and the independent auditors regarding financial reporting.

V. Ethical and Legal Compliance

14. Review with the Company's counsel any legal matters that could have a significant impact on the organization's financial statements, the Company's compliance with applicable laws and regulations, and inquiries received from regulators or governmental agencies. Receive reports from the Company's legal counsel regarding any dispute, litigation, regulatory matter or proceeding or any material violation of securities laws or breach of fiduciary duty or similar violation by the Company or any agent of the Company.
15. Review management's monitoring of the Company's compliance with the organization's Code of Business Conduct and Ethics Policy or any other code of corporate conduct required by the Market or the Commission (collectively, the "Code") and ensure that management has the proper review system in place to ensure that the Company's financial statements, reports and other financial information disseminated to governmental organizations and the public satisfy legal requirements. Grant waivers to senior officers and governors from such Code, or provide any consent required under the Code, when appropriate and in the best interest of the Company.
16. In accordance with policies and procedures adopted by the Board of Governors from time to time, review and approve all proposed transactions to which the Company will be a participant and in which any of the Company's officers, governors, nominees for governor, immediate family member of the foregoing, or 5% or greater members or any immediate family member of such members, or any "affiliate" of any of these persons has a direct or indirect material interest, including any transaction that would be required to be reported as a transaction with a related person under Item 404 of the Regulation S-K or that would disqualify a governor from being considered independent under the rules of the

Market; except that the Audit Committee shall not be responsible for matters relating to the employment of the Company's officers or the compensation of the Company's officers or governors.

17. Establish procedures for (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal controls or auditing matters; and (b) the submission by employees of concerns on a confidential and anonymous basis regarding accounting and auditing matters.

VI. Other Audit Committee Responsibilities

18. Review and reassess the adequacy of this charter at least annually. Submit the charter to the Board of Governors for approval and make the charter available in the manner and at the times permitted or required by the Commission.
19. Annually prepare a report to members as required by the Commission. The report should be included in the Company's annual proxy statement.
20. Perform any other activities consistent with this charter, the Company's Bylaws and governing law, as the Committee or the Board deems necessary or appropriate.
21. Maintain minutes of meetings and periodically report to the Board of Governors on significant results of the foregoing activities.

VII. Limitation on Responsibilities and Powers

While the Audit Committee has the responsibilities and powers set forth in this Audit Committee Charter, it is not the duty or responsibility of the Audit Committee to plan or conduct audits or determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles (this determination shall remain the responsibility of management and the independent auditors).